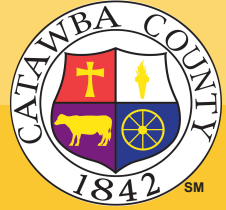


2012

Annual Financial Highlights



For the Fiscal Year Ended
June 30, 2012



CATAWBA COUNTY GOVERNMENT

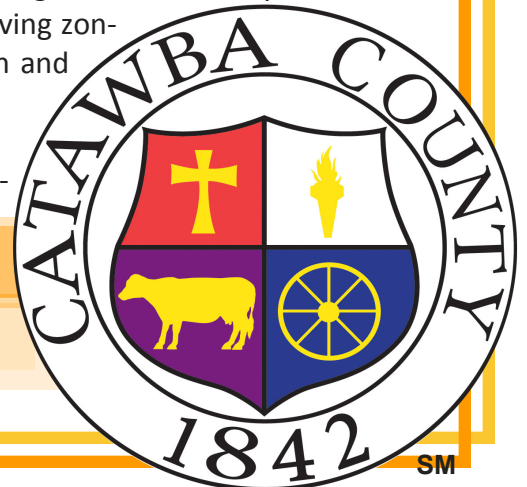


Catawba County Board of Commissioners

Bottom row left to right: Barbara G. Beatty, Katherine W. "Kitty" Barnes - Chair, Lynn M. Lail - Vice Chair. Top row left to right: Dan A. Hunsucker, C. Randall Isenhower.

In 1937, Catawba County became the third county in the State to adopt the council-manager form of government. The Board of Commissioners is comprised of a five-member board elected at large on staggered terms in a countywide election. The Board of Commissioners is the policy-making and legislative authority for the County. It is responsible for adopting the annual budget, approving zoning and planning issues and other matters related to the health and welfare of the County.

The County Manager is the Chief Executive Officer and is responsible for enforcement of laws and ordinances, preparation and administration of the annual budget, delivery of services, implementing policies, managing daily operations and appointment of department heads.



Citizens of Catawba County:

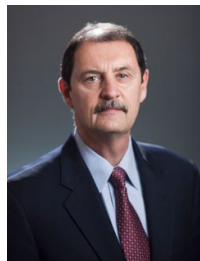
We are proud to present the Catawba County Financial Highlights for fiscal year 2011-2012.

In today's complex world of financial reporting, analyzing financial statements can be a challenge—especially for those without accounting backgrounds. This report was designed to address that issue by providing a recap of your County government's finances in an easy to read format.

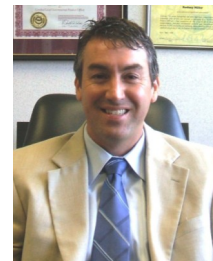
The financial statements used in this report are simplified and condensed to reflect financial information regarding Catawba County's government-wide information. The County's government-wide financial statements provide information on revenues, expenses, and net assets of Catawba County for the fiscal year ended June 30, 2012.

Most of the information in this report is drawn from the financial information appearing in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The CAFR is a more detailed and complete financial presentation prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the County's independent external auditors. While the financial data in this report conforms with GAAP, the statistical, economic and demographic data are taken from various sources and are not necessarily GAAP based. Additional financial information can be found in the CAFR, available at Catawba County public libraries and online at www.catawbacountync.gov/depts/finance/.

If you have any questions regarding this report, please contact the Finance Director at (828)465-8210, or write to: Finance Director, Catawba County, P.O. Box 389, Newton, NC 28658.



J. Thomas Lundy
J. THOMAS LUNDY
County Manager



Rodney N. Miller
RODNEY N. MILLER
Finance Director

Condensed Financial Statement

The consolidated Financial Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP). For a copy of the full 2012 Comprehensive Annual Financial Report including audited Financial statements, which includes more detailed information, please contact Catawba County Finance at (828)465-8210 or visit www.catawbacountync.gov

2011 FINANCIAL HIGHLIGHTS AWARD

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**Catawba County
North Carolina**

for the Fiscal Year Ended
June 30, 2011



Christopher P. Morill
President

Jeffrey L. Esser
Executive Director

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Catawba County for its Annual Report Financial Highlights for the fiscal year ended June 30, 2011. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, the contents of which conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Catawba County has received this award for the last three consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA.



ABOUT CATAWBA COUNTY



The County has eight cities and towns and a population of 154,992, ranking 17th out of 100 counties in North Carolina.

Located in a peaceful valley just east of the Blue Ridge Mountains, Catawba County is a land of scenic beauty, diverse cultures, and various industries. Three beautiful lakes are located within its 414 square miles, and the Catawba River winds along its northern and eastern border.

Catawba County has it all—beautiful climate with four seasons that are distinct as they are mild, challenging places to work, low cost of living, vast array of recreational opportunities, arts and culture and an unparalleled lifestyle. It is an ideal place to live, work, play, raise a family and retire.

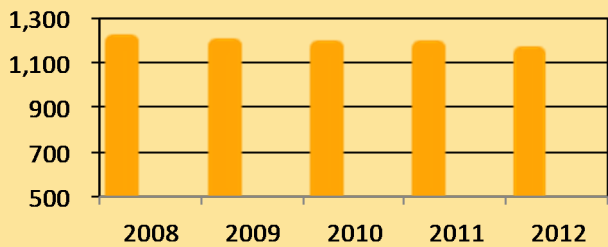
Early Catawbans were either refugees or descendants of refugees from European political strife. Most were German and Scotch-Irish, who initially settled in Pennsylvania and migrated to the south when converging factors of crowding and under-employment evolved. The County is named for the river and the Catawba Indians who foraged in the valley and were friendly and helpful to the first German and Scotch-Irish settlers who arrived in 1747.

Catawba County was officially established on December 12, 1842 when Lincoln County was divided by an act of the North Carolina General Assembly.



CATAWBA COUNTY AT A GLANCE

Full Time County Employees 2008-2012



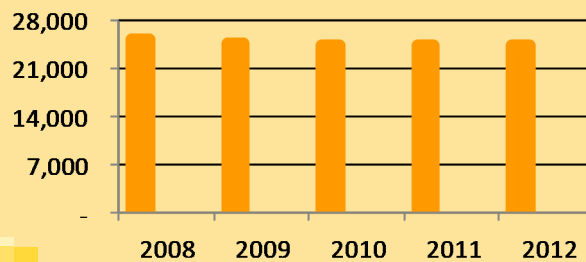
Catawba County Principal Employers

Catawba County Schools
Catawba Valley Medical Center
Frye Regional Medical Center
CommScope, Inc.
Catawba County Government
Hickory Springs Manufacturing
Corning Cable Systems
Pierre Foods
Ethan Allen, Inc.
Sherrill Furniture Company

Fiscal Year	2008	2012
Property Tax	\$0.535	\$0.530
Total Budget	\$251.3m	\$196.8m
Population	155,452	154,992
Outstanding Debt	\$121.3m	\$125.7m



School Enrollment 2008-2012



Local Economy

Since the national recession officially ended in the U.S. in June 2009, the local economy continues to improve slowly.

The unemployment rate has decreased over the past two years from 12.9% in June 2010 to 12.0% in June 2011 to 11.3% in June 2012. Though the rate has not declined as quickly as hoped, it continues to fall from the peak of 15.6% in March 2009, the highest rate since 1975.

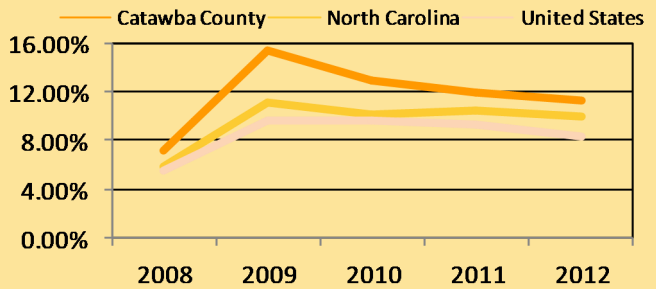
Catawba County remains a retail magnet for the region, capturing 61% of the \$3 billion in retail sales from the four county Metropolitan Statistical Area. Though Catawba County's population ranks 17th largest in North Carolina, its retail sales per capita ranks 12th highest out of 100 counties.

Economic Development

Several companies, from traditional industries to the high-tech sector, have announced significant expansions:

- Sarstedt opened a \$14 million fully automated distribution center in Newton.
- Hollar Hosiery Investments is making a \$3 million investment into a vacant textile mill to house a new brewery by Skull Coast Brewing Co., new restaurant and event space.

Unemployment Rate 2008-2012



- Cargo Transporters added \$25 million in equipment and 50 new jobs for professional drivers.
- Shurtape Technologies invested \$1.2 million to renovate a high-profile building for a relocation of its headquarters in Hickory.

Finally, several car dealerships have undergone major renovations spending more than \$10.5 million, most notably Mike Johnson Toyota and Crossroads Nissan.





Another economic development initiative in the county is the Greater Hickory Classic, a PGA Tour's Champions Tour golf event held in Conover since 2003 that receives support from the business community and local governments, including the County.

This year's event occurred in October and was broadcast on the Golf Channel that is available in 120 million homes worldwide and provides an economic benefit to the County of \$15 million.



Another development includes the formation of a multi-jurisdictional industrial park funded by various local governments in the county. This concept became successful with the announcement of the County's largest economic development project in its history: Apple, Inc. invested \$1 billion in Maiden to construct a data center in a 500,000 square foot

facility to house its iCloud suite of services.



The 183-acre site had been marketed as a multi-jurisdictional park to attract a data center similar to the Google, Inc. complex in an adjacent county. The location of these two large economic development projects has assisted economic development efforts in marketing the region as the "NC Data Center Corridor" a location with favorable labor conditions, abundance of fiber optics infra-

structure, easy access to major airports and a high quality of life.

In 2011, Apple, Inc. started to develop a 170-acre site adjacent to the current facility for a solar panel farm, the largest end-user farm in the country. Most recently, Apple, Inc. announced a \$3 million purchase of 200 acres in Conover for a second solar farm. With all projects combined, Apple will produce enough energy to power the equivalent of 10,874 homes. Home to Apple's only east coast operations facility, Catawba County has benefited from a great deal of exposure with recent articles in USA Today, London Sunday Times and the Washington Post.



Education

The County has invested in its educational future by continuing to support higher education initiatives in the region. Catawba Valley Community College, one of the original seven members of the NC System of Community Colleges receives annual funding from the County. County funding levels are currently 15th highest out of 58 community colleges in the state. Another education opportunity for its citizens is the

Hickory Metro Higher Education Center, which opened in 2003. In 2009, Appalachian State University (ASU) Greater Hickory Partnership was established between ASU and the three community colleges in the Hickory-Lenoir-Morganton region. The partnership coordinates delivery of ASU's off-campus degree programs in four regional centers. During the 2010-2011 academic year, approximately 900 students pursued degrees at these four centers.

The ASU Partnership also includes the NC Center for Engineering Technologies, which focuses on applied research in engineering-related fields and serves as a conduit to baccalaureate education delivered by University of North Carolina system schools. The Center collaborates with other schools in bringing the best programs to the region to meet employment needs.



The County has been a leader in environmental initiatives. In

2010-11, the County was ranked 1st in the state out of 100 counties in the amount of recycling per capita, totaling more than 56,000 tons. It was also the first county in the state to offer curbside recycling to its citizens.



The County received national exposure in August 2011 when it was recognized in BIODIESEL Magazine for the grand opening of its biodiesel research facility, a partnership between the County and Appalachian State University, who received a grant from the Golden LEAF Foundation to build a biodiesel research facility using the electric-

ity and heat generated at the facility. The facility provides testing and research for biodiesel manufacturers in western NC and produces biodiesel from agricultural crops at the landfill and surrounding farms. This is the first facility of its kind in the state and meets Leadership in Energy and Environmental Design (LEED) standards.



The facility is located in the County's Eco-Complex, a Regional Biosolids Processing Facility that is designed to improve the ecology of Catawba County and promote economic development by attracting jobs in the green energy, agricultural and environmental sectors.



CATAWBA COUNTY
EcoComplex





Medical

The County is also a major medical hub, with a prospering medical and health care community, and two large medical centers, one county-owned and both profitable.

Catawba Valley Medical Center, a county-owned facility, was granted its third consecutive Magnet designation from the American Nurses Credentialing Center becoming one of only 30 hospitals in the nation to receive the designation three times. The Magnet program recognizes health care organizations that provide the very best in nursing care and professionalism in nursing practice, resulting in the gold standard for nursing excellence.

Catawba Valley Medical Center recently completed a \$25 million expansion and renovation of its surgical suite, creating three new operating rooms and renovating the others with new technology.

A second phase of expansion is currently underway, which includes the construction of a five-story addition to house a Women's and Oncology Pavilion estimated to cost \$33 million. The project is scheduled for completion in the spring of 2013.



Frye Regional Medical Center, which celebrated its 100-year anniversary earlier this year, was named number one in the state of North Carolina and in the top 5% of U.S. hospitals for cardiac surgery and patient safety in 2011 by HealthGrades, the leading independent healthcare ratings organization in the nation. They were one of only 238 hospitals in the country to receive this designation.

In addition, Frye Regional Medical Center received has won the Distinguished Hospital award from J.D.

Power and Associates, a global marketing information services firm, four times in 2005, 2006, 2008 & 2010.

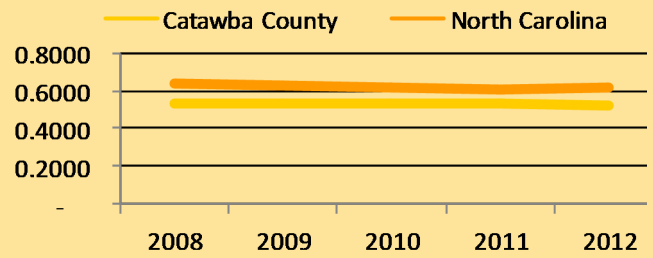
With approximately 1,500 employees, the medical center is a strong corporate partner of the County.



PROPERTY TAXES

The property tax rate remained at \$0.530 per \$100 of valuation, which was the 8th lowest tax rate of the 27 urban counties—those with a population over 100,000— and the 27th lowest of all 100 counties in North Carolina.

Property Tax Rate 2008-2012



How were my taxes spent?

County
(public safety, social services,
public health, culture & recreation, etc.)
46.9%

Education
53.1%



COUNTY FINANCIALS (Revenues)



Revenue Sources

The statement of activities reports revenue by source using government-wide reporting standards. To assist the reader in understanding what makes up the various sources referenced, we have provided the following detailed listing.

General Revenues

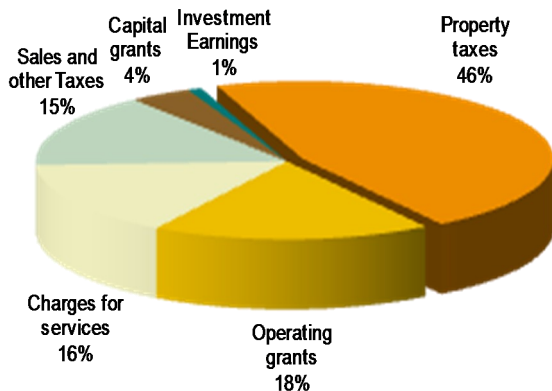
Property taxes, sales and use taxes and investment earnings.

Program Revenues

Operating Grants

State, federal, other government and private contributions to fund specific programs.

2011 Revenues by Source
(General & Program Revenues)



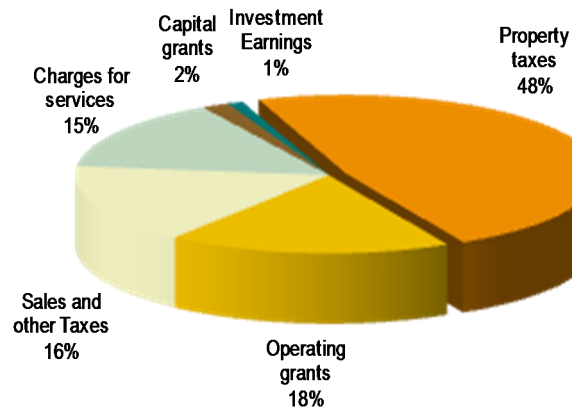
Where the Money Comes From:

Property Taxes	85,663,390
Operating Grants	32,263,915
Charges for Services	26,599,443
Sales and other Taxes	29,497,310
Capital Grants	3,113,367
Investment Earnings	1,778,418

Charges for Services

Assessment and tax collection fees, auditing and accounting fees, communication services, legal services, planning and engineering services, animal control fees, law enforcement services, recording fees, health fees, business licenses, construction permits, zoning permits, other licenses and permits, fines and forfeitures, penalties on delinquent taxes, tax garnishment fees and election, parks, library and solid-waste fees.

2012 Revenues by Source
(General & Program Revenues)



Capital Grants

State, federal, other government and private contributions to fund capital purchases for specific programs.

COUNTY FINANCIALS (Expenses)

Expenses/Services Provided

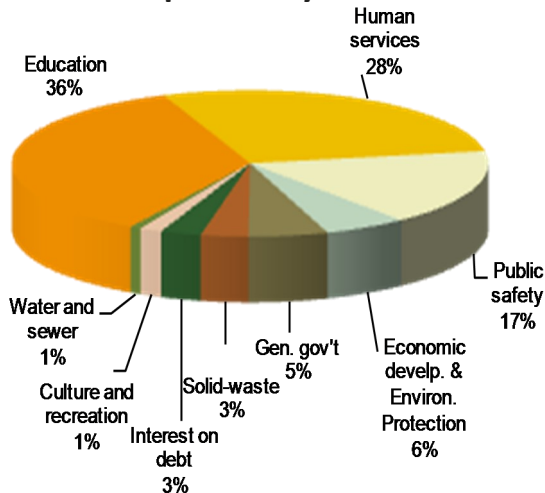
The County incurs a number of expenses to provide a variety of quality services to its citizens. The following list provides details to define what County departments are included in each of the functional categories listed in the statement of activities.

Expenses by Function

Education

Catawba County Schools, Newton-Conover Schools, Hickory City Schools and Catawba Valley Community College.

2011 Expenses by Function



Human Services

Social Services, Public Health, Mental Health and Medical Examiner.

Public Safety

Sheriff, Emergency Services, Fire/Rescue Services, Veterans Services, Animal Control, 911 Communication Center.

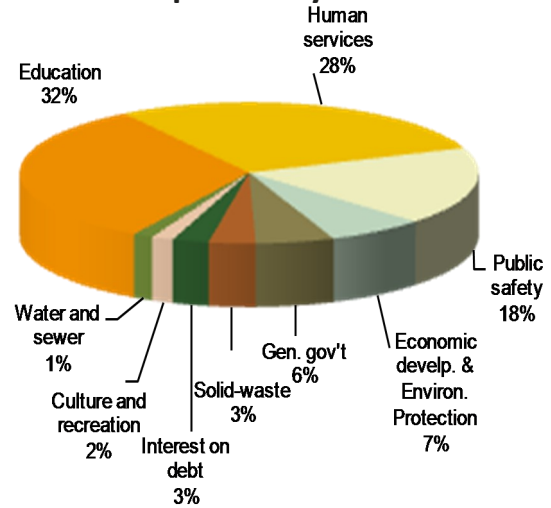
Economic Development & Planning

Planning & Zoning, County Parks, Utilities & Engineering and Facilities.

Environmental Protection

Cooperative Extension, Soil & Water Conservation and Forest Ranger.

2012 Expenses by Function



Where the Money was Spent:

Education	57,134,411
Human Services	50,113,468
Public Safety	31,399,814
Economic Develop./Environ. Protection	12,117,020
General Government	9,737,258
Solid Waste Management	5,797,602
Interest on long-term debt	4,487,690
Culture & Recreation	2,724,942
Water & Sewer	2,462,706

General Government

County Manager, Board of Commissioners, Legal Services, Budget, Tax Assessor, Tax Collector, Board of Elections, Human Resources, Self Insurance, Register of Deeds, Finance, Purchasing.

Solid Waste Management

Blackburn Landfill, Recycling, Convenience Centers, Household Hazardous Waste and Methane Recovery.

Culture and Recreation

County Branch Libraries and other cultural activities.

Water and Sewer

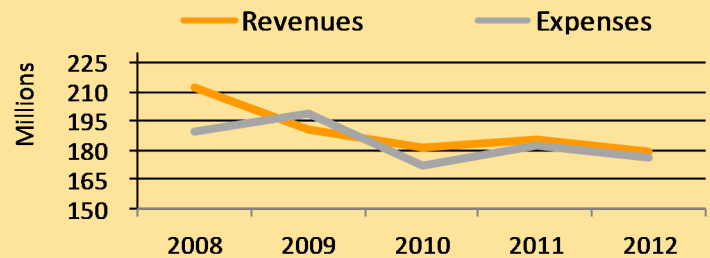
Water and sewer management.

COUNTY FINANCIALS (Government-wide Statements)

Government-wide financial statements provide financial information about the County as a whole. These statements distinguish between two types: governmental and business-type activities. Governmental activities generally are financed through taxes and other general revenue sources while business-type activities are financed in whole or in part by fees charged to external parties for the services provided.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported

Revenues and Expenses - 5 year trend



as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected taxes or expenditures pertaining to earned but unused vacation and sick leave).

Statement of Activities Primary Government

	2012	2011	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 26,599,444	\$ 28,766,248	\$(2,166,804)
Operating grants	32,263,915	33,160,490	(896,575)
Capital grants	3,113,367	7,337,965	(4,224,598)
General revenues:			
Property taxes	85,663,390	85,440,972	222,418
Sales and other taxes	29,497,310	28,298,211	1,199,099
Investment earnings	1,778,418	1,669,333	109,085
Total revenues	178,915,844	184,673,219	(5,757,375)
EXPENSES:			
General government	9,737,258	9,795,648	(58,390)
Public safety	31,399,814	30,599,650	800,164
Environmental protection	459,609	508,248	(48,639)
Economic and physical development	11,657,411	9,713,902	1,943,509
Human services	50,113,468	51,350,294	(1,236,826)
Cultural and recreation	2,724,942	2,733,249	(8,307)
Education	57,134,411	65,072,007	(7,937,596)
Interest on long-term debt	4,487,690	4,998,419	(510,729)
Solid waste management	5,797,602	5,869,812	(72,210)
Water and sewer	2,462,706	1,365,042	1,097,664
Total expense	175,974,911	182,006,271	(6,031,360)
Change in net assets	2,940,933	2,666,948	273,985
Net Assets, Beginning of Year	152,432,982	149,766,034	2,666,948
Net Assets, End of Year	\$ 155,373,915	\$ 152,432,982	\$ 2,940,933

Looking at the Statement of Activities at the left, the most significant variances in revenues were: a decrease in capital grants of \$4.2 million; a decrease in charges for services of \$2.1 million, an increase in sales and other taxes of \$1.2 million and finally a modest increase in property tax revenues and investment earnings.

The most significant variances in expenses on the Statement of Activities are: a decrease in education expenses of \$7.9 million as several school capital projects were completed during the year. Interest on long-term debt decreased by \$510,000 due to refunding prior debt with lower current interest rates. Finally an increase of water and sewer expenses for various water and sewer projects in the County.

Statement of Net Assets Primary Government

	2012	2011	Change
ASSETS:			
Current and other assets	\$177,329,400	\$184,532,017	\$ (7,202,617)
Capital assets	138,636,198	138,352,403	283,795
Total assets	<u>315,965,598</u>	<u>322,884,420</u>	<u>(6,918,822)</u>
LIABILITIES:			
Long-term liabilities	150,567,167	159,809,792	(9,242,625)
Other liabilities	10,024,516	10,641,646	(617,130)
Total liabilities	<u>160,591,683</u>	<u>170,451,438</u>	<u>(9,859,755)</u>
NET ASSETS:			
Invested in capital assets, net of related debt	119,568,377	118,652,756	915,621
Restricted	32,831,276	47,011,143	(14,179,867)
Unrestricted (deficit)	2,974,262	(13,230,917)	16,205,179
Total net assets	<u>\$155,373,915</u>	<u>\$152,432,982</u>	<u>\$ 2,940,933</u>

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

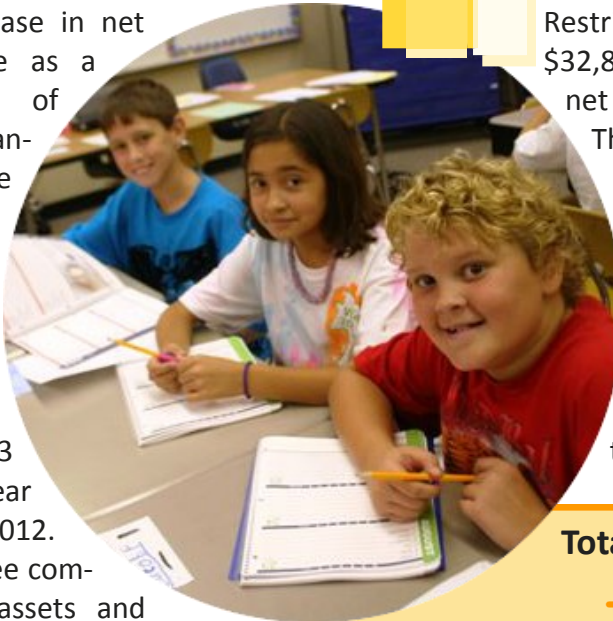
The County's total net assets increased \$2,940,933 for the fiscal year ended June 30, 2012. Below are the three components of net assets and their respective fiscal year-end balances.

Invested in capital assets, net of related debt, represents \$119,568,377 of the County's total net assets for fiscal year 2012. This consists of land, buildings, improvements other than buildings, machin-

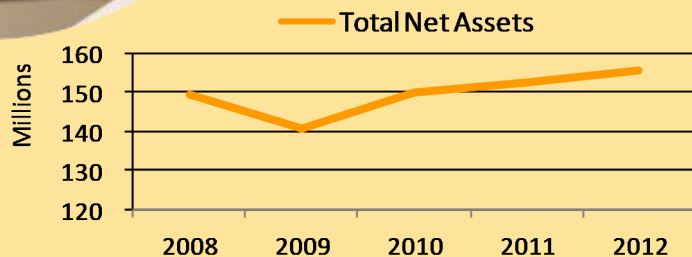
ery, equipment, vehicles and construction in progress, net of accumulated depreciation, and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets account for \$32,831,276 of the County's total net assets for fiscal year 2012.

This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or through constitutional provisions or enabling legislation.



Total Net Assets - 5 year



CAPITAL ASSETS

As of June 30, 2012, the County's capital assets for both its governmental and business-type activities amounted to \$91,485,892 in depreciable assets (net of depreciation) and \$47,150,306 in nondepreciable assets. The capital assets include land, buildings, improvements other than buildings, machinery, equipment, vehicles and construction in progress.

Major projects in progress or completed in fiscal year 2012 included the following:

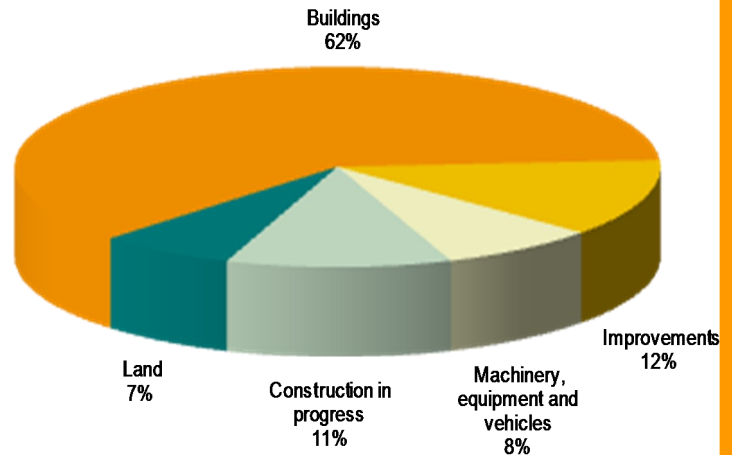
- Renovations of two High Schools—\$3.3 million (St. Stephens, HCAM)
- Renovations of Arndt Middle School—\$5.2 million
- Renovations of Webb Murray Elementary—\$5.8 million
- Construction of new Newton-Conover Middle School—\$20.8 million



- Renovations of Catawba Valley Community College—\$7.3 million
- Mountain Creek Park—\$3.6 million



Capital Assets, net of depreciation 2012



- SECC Water Supply Loop—\$6.7 million
- Blackburn/Plateau Water—\$3.8 million
- Regional Biosolids—\$1.7 million
- Sherrills Ford Library—\$2.2 million
- Animal Shelter Renovation—\$3.5 million
- SECC Wastewater Project—\$6.8 million



LONG-TERM LIABILITIES & DEBT

As of June 30, 2012, the County's long-term liabilities for its governmental and business-type activities amounted to \$150,567,167 which includes long-term debt, compensated absences, other post-employment benefits and future landfill closure costs.

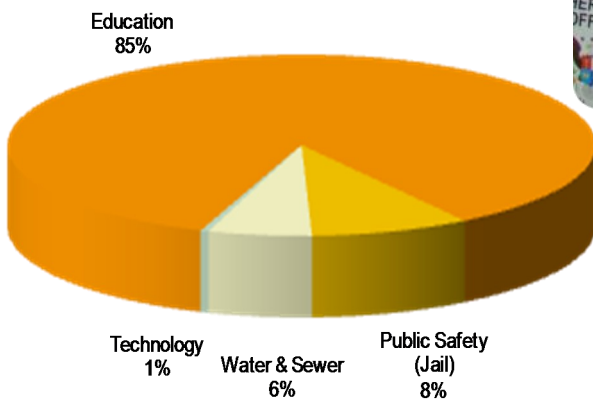
Credit Ratings Maintained by the County

Moody's Investors
Service, Inc.
Aa1

Standards &
Poors Corp.
AA



Uses of Outstanding Debt 2012

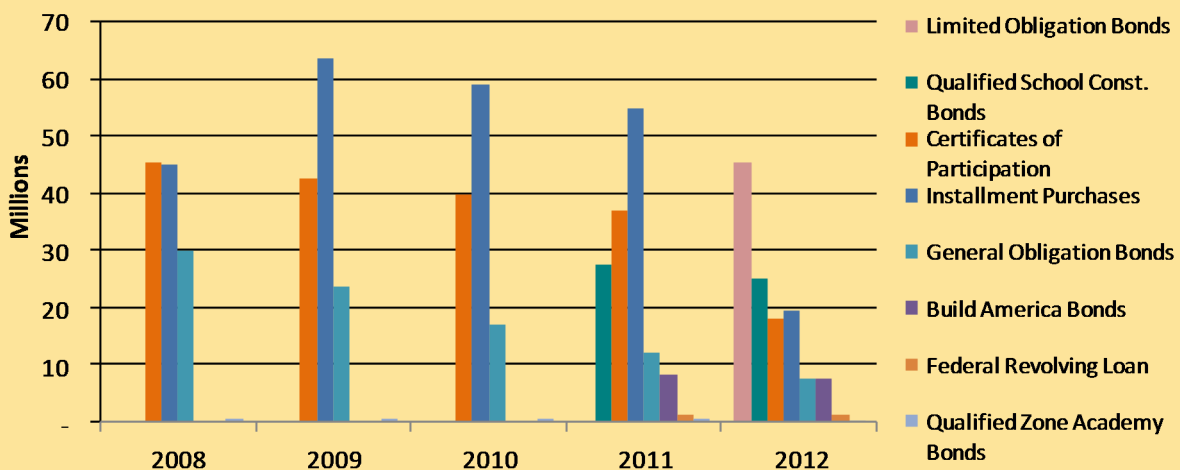


debt obligations consist of the following purposes: Education (85%), Public Safety Jail Expansion (8%), Water and Sewer Projects (6%) and Technology (1%).

Outstanding long-term debt of \$125,775,150 consists of bonds, installment purchases, certificates of participation and federal revolving loans. The outstanding

Catawba County maintained for the 2nd consecutive year, its Aa1 bond rating from Moody's Investors Service and for the 7th consecutive year, its AA rating from Standard and Poor's. This stable bond rating is a clear indication of the sound financial condition of the County.

Outstanding Debt 2008-2012



FOR MORE INFORMATION

Visit Catawba County's Official Website

www.catawbacountync.gov



The County's Website is your source for information about County policies, services and events 24 hours a day, seven days a week. Visit www.catawbacountync.gov and find information on employment opportunities, community events, Board of Commissioner agendas, meeting schedules, operating hours, tax information and much more.

Residents can also take advantage of many online services:

- Pay a tax bill
- Search the County library catalog
- Pay permit fee
- Sign up for e-news
- Subscribe to the County newsletter
- Review your property information
- Sign up for community alert system
- Use the online deed search
- Find the County on Facebook
- Follow Catawba County on Twitter
- Sign up for RSS feeds
- Access County forms...and more!



My Catawba County Mobile App

DIRECTORY OF OFFICIALS

Board of Commissioners

Kitty W. Barnes, Chair
Lynn Mull Lail, Vice-Chair
Barbara G. Beatty
Dan A. Hunsucker
C. Randall Isenhower

County Manager

Tom Lundy

Assistant County Manager

Mary Furtado
Dewey Harris

County Clerk

Barbara Morris

Finance Director

Rodney Miller

Finance Department

For more information on financial matters of Catawba County, please call the Finance Department at (828) 465-8210.



